

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-1-E - ORDER NO. 2005-288
JUNE 23, 2005

IN RE: Annual Review of Base Rates for Fuel Costs)	ORDER APPROVING
of Carolina Power & Light Company DBA)	AND ADOPTING
Progress Energy Carolinas, Inc.)	SETTLEMENT
)	AGREEMENT

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Joint Motion Requesting Approval of Settlement Agreement (the Joint Motion) filed by the Office of Regulatory Staff of South Carolina (“ORS”), South Carolina Energy Users Committee (“SCEUC”), Nucor Steel-South Carolina (“Nucor Steel”), and Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (“PEC”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

The Parties represent to the Commission that they have engaged in discussions on the issues of this case and further that the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth in the Settlement Agreement executed by the Parties. (The Settlement Agreement is attached to this Order as Order Exhibit 1 and is incorporated in and made a part of this Order.)

On May 24, 2005, we granted the Joint Motion in part. We concluded at that time that the prefiled direct testimony of ORS witnesses A.R. “Randy” Watts and Jacqueline Cherry should be accepted into the record without objection. Further, we excused all

witnesses from the hearing scheduled for Wednesday, May 25, 2005, with the exception of Mr. Watts. We held that, other than Mr. Watts, we would require only the attorneys for the parties to appear before this Commission to acknowledge their respective client's consent to the proposed settlement agreement and their respective client's belief that the agreement and new fuel factor is in the interest of the parties and the public interest. We further held that Mr. Watts would be presented for the limited purpose of answering questions related to the terms of the proposed settlement and any of the facts supporting the settlement. Lastly, we reserved the right to call, at a later date prior to July 1, the other witnesses who prefiled testimony in this Docket, if the Commission believed after the hearing that it needed further information prior to making a decision in this Docket. We ruled at that time to hold the remainder of the Joint Motion in abeyance until further notice.

As per our holding, a hearing was held on May 25, 2005, before this Commission. Counsel for all parties appeared before the Commission, as did witness A.R. "Randy" Watts of the Office of Regulatory Staff. Mr. Watts testified as to various details of the proposed Settlement Agreement. Among other things, Mr. Watts stated that, under the terms of the agreement, an amount equal to the under recovery at June 30, 2005 will be levelized over a three year period ending June 30, 2008. The Parties further agree that an amount equal to the amount of under recovery remaining from this original amount and not recovered prior to July 1, 2006, shall be recovered half in the second year in equal monthly installments and half in the third year in equal monthly installments, and effective July 1, 2006, through June 30, 2008, PEC shall be allowed to charge and

recover carrying costs on the monthly unpaid balance of such amount at an interest rate of six percent (6%) compounded annually. Also, the first dollars recovered in the succeeding twelve months beginning July 2005 will be applied to the under recovery so that in the next fuel proceeding for the Company, any under recovery will be for the period July 2005 to June 2006. This serves to comply with the provisions of S.C. Code Ann. Section 58-27-865 (Supp. 2004), and protects the financial integrity of the Company. Tr., Watts Settlement Testimony at 6-7.

After careful review of the Joint Motion and the Settlement Agreement, and after having heard the testimony of the witness and representations of counsel, the Commission finds that approval of the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. §58-27-865 (Supp. 2004). The settlement proposal allows recovery in a precise and prompt manner while assuring public confidence and minimizing abrupt changes in charges to customers. As such, it is in the public interest as a reasonable resolution of the issues in this case. Additionally, we find that the proposal advanced by ORS witness Watts and agreed to by the Parties in the Settlement Agreement provides stabilization to the fuel factor and minimizes fluctuations for the near future. Further, the Commission finds that the three-year levelization period balances the concerns of the using public while preserving the financial integrity of PEC. We also find that the resolution espoused in the Settlement Agreement does not appear to inhibit economic development. Additionally, the Commission finds and concludes that the Settlement Agreement affords the Parties with

the opportunity to review costs and operational data at succeeding fuel review proceedings conducted pursuant to S.C. Code Ann. §58-27-865 (Supp. 2004).

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement attached hereto and the pre-filed direct testimony of ORS witnesses A.R. “Randy” Watts and Jacqueline Cherry are accepted into the record in the above-captioned case without objection. Further, the oral and written testimony of Mr. Watts presented at the hearing on May 25, 2005, is also incorporated into the record of this case.

2. The Settlement Agreement is incorporated herein by reference and is found to be a reasonable resolution to the issues of this case and further found to be in the public interest.

3. PEC shall set its fuel factor at 2.200 cents per kwh effective for bills rendered on and after the first billing cycle of July 2005 and continuing through the billing month of June 2006.

4. The Parties shall abide by all terms of the Settlement Agreement.

5. PEC shall file an original and ten (10) copies of the South Carolina Retail Adjustment for Fuel Cost and all other retail Tariffs within ten (10) days of receipt of this Order with the Commission and ORS.

6. PEC shall comply with the notice requirements set forth in S.C. Code Ann. §58-27-865 (B) (Supp. 2004).

7. PEC shall continue to file the monthly reports as previously required.

8. PEC shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit. ORS shall monitor the cumulative recovery account.

9. PEC shall submit monthly reports to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice-Chairman

(SEAL)